

U Masipala Wakwa Nkonkobe

Umzi Wolawulo/Civic Centre
8 Somerset Street
FORT BEAUFORT
Eastern Cape - RSA



Municipality of Nkonkobe

P.O. Box 36
FORT BEAUFORT,
Tel: (046) 6457449
Fax: (086) 6860775

29 August 2008

The Office of the Auditor General
59 Western Avenue
Vincent
East London
5200

Sir / Madam

Nkonkobe Municipal Entities (EC127) – Submission of Annual Financial Statements

Please find enclosed signed copies of the Nkonkobe Municipal Entities Annual Financial Statements for the following years: -

- 30 June 2008

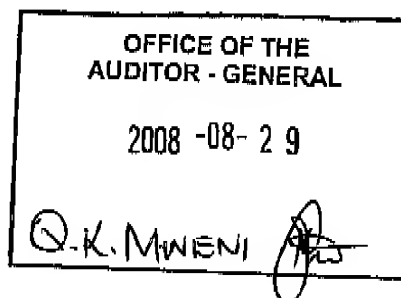
The municipality has a full copy of the working papers supporting the above mentioned years. Should you have any further queries please contact the Acting Chief Financial Officer, Mr. Lulamile Hanabe on 046-6457476.

Trust that you will find the above in order.

Thanking You

Yours faithfully

Mr. Andre Marx
Acting Municipal Manager





the people of promise

Section 21 Company
2002/007921/08

Municipal Entity
Annual Financial Statements
2007/2008

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Year End 30 June 2008
Municipal Entity

INDEX

	Page
Directors Report	1 to 2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 to 9
Notes to the Annual Financial Statements	10 to 12
Attached Schedules	
- Detailed Statement of Financial Performance	13

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Municipal Entity
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2008

The directors present their report for the year ended 30 June 2008. This report forms part of the audited financial statements.

Principal activities of the company

The main objective of the agency is to revitalise the Nkonkobe region through facilitating development geared towards sparking optimism and confidence in the financial viability of all the sectors of Nkonkobe, thereby attracting commercial, retail, residential and other industries to the area, with a view to grow the area and position the area as a premier national and international destination for tourism.

Corporate governance statement

The directors subscribe to the values of good corporate governance and recognise the need to conduct the agency with integrity and in accordance with generally accepted corporate practices.

Going concern

The company's liabilities exceed its assets by R 850,551.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue operations for the foreseeable future and that it is also backed financially by the Nkonkobe Municipality and the Industrial Development Corporation (IDC).

Financial results

The company operating results and financial position are reflected in the attached annual financial statements.

Property, plant and equipment

The agency acquired fixed assets to the value of R 4,698 (2007: R NIL) during the current year.

Events subsequent to year end

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which significantly affect the financial position of the company or the results of its operations.

Number of employees

The average number of employees during the period was 3 (2007: 2)

Directors

The directors of the company during the financial year are as follows:

L M Stofile

S Kobese

P V Mnonopi

J D Timm

S W V Nombekela

The agency's administration serves as the company secretary.

General information

Auditors	Office of the Auditor General
Banker	Standard Bank
Postal Address	PO Box 23, Alice, 5700
Physical Address	Alice Municipal Building
Contact Numbers	Telephone (040) 653 2935 ; Fax (040) 653 2938

The annual financial statements of the Nkonkobe Economic Development Agency have been approved by the Board of Directors and signed by the Chairman of the Board.



Chairman of the Board

28 August 2008

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2008**

	Notes	2008 R	2007 R
NET ASSETS and LIABILITIES			
Net Assets			
Accumulated Deficit		(850,551)	(391,949)
Current Liabilities			
Trade and Other Payables	1	585,409	189,615
Conditional Grants	2	1,727,817	328,158
<u>TOTAL ASSETS and LIABILITIES</u>		<u>1,462,676</u>	<u>125,824</u>
ASSETS			
Non Current Assets			
Property, Plant and Equipment	3	65,482	94,083
Current Assets			
Bank Balances and Cash	4	1,351,788	31,741
Trade and Other Receivables	5	45,406	-
<u>TOTAL ASSETS</u>		<u>1,462,676</u>	<u>125,824</u>

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Municipal Entity

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 R	2007 R
REVENUE			
Grants Received	2	481,439	94,756
Other Operating Revenue		-	11,534
Total Revenue		481,439	106,290
EXPENDITURE			
Personnel		586,214	249,245
Depreciation and Amortisation Expense		33,299	42,296
Other Operating Expenses		320,527	168,482
Total Expenditure		940,041	460,022
(Deficit) / Surplus before Taxation	9	(458,602)	(353,732)
Taxation		-	-
(Deficit) / Surplus for the Year		(458,602)	(353,732)

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Municipal Entity

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2008

	<u>Accumulated Surplus</u>	<u>Total</u>
Balance at 30 June 2006	(38,217)	(92,575)
Net Surplus for the Year	(353,732)	(353,732)
Balance at 30 June 2007	(391,949)	(446,308)
Net Surplus for the Year	(458,602)	(458,602)
Balance at 30 June 2008	<u>(850,551)</u>	<u>(904,910)</u>

NKONKOBÉ ECONOMIC DEVELOPMENT AGENCY
Municipal Entity

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from Government and Other Receipts		1,881,098	103,182
Cash Paid to Suppliers and Employees		<u>(510,947)</u>	<u>(247,549)</u>
Cash Generated Utilised in Operations		1,370,151	(144,367)
Interest Received		-	-
Net Cash Flows from Operating Activities		<u>1,370,151</u>	<u>(144,367)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		<u>(4,698)</u>	-
Net Cash Flow Utilised in Investing Activities		<u>(4,698)</u>	-
CASH FLOW FINANCING ACTIVITIES			
		<u>(45,406)</u>	-
Net Cash Flow from Financing Activities		<u>(45,406)</u>	-
Net (Decrease) / Increase in Cash and Cash Equivalents		1,320,047	(144,367)
Cash and Cash Equivalents at the Beginning of the Year		<u>31,741</u>	<u>176,107</u>
Cash and Cash Equivalents at the End of the Year	4	<u>1,351,788</u>	<u>31,741</u>

NKONKOB ECONOMIC DEVELOPMENT AGENCY**Municipal Entity****ACCOUNTING POLICIES**
FOR THE YEAR ENDING 30 JUNE 2008**1 BASIS OF PRESENTATION**

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements as follows: -

<u>Standards of GRAP</u>	<u>Replaced Statements of GAAP</u>
GRAP 1:- Presentation of financial statements	AC 101: - Presentation of financial statements
GRAP 2:- Cash flow statements	AC 118: - Cash flow statements
GRAP 3:- Accounting policies, changes in accounting estimates and errors	AC 103: - Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements: -

1.1) Terminology differences: -

<u>Standards of GRAP</u>	<u>Replaced Statements of GAAP</u>
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit for the period	Profit / loss for the period
Accumulated surplus / deficit	Retained earnings

1.2) The cash flow statement can only be prepared in accordance with the direct method.**1.3) Specific information such as: -**

- a) receivables from non-exchange transactions, including taxes and transfers;
 - b) taxes and transfer payables;
 - c) trade and other payables from non-exchange transactions;
- must be presented separately on the statement of financial position.

1.4) The amount and nature of any restriction on cash balances is required to be disclosed.

NKONKOBÉ ECONOMIC DEVELOPMENT AGENCY
Municipal Entity
ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2008

Paragraph 11-15 of GRAP 1 has not been implemented as the budget report standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

2 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the original assessed standard of performance. If expenditure only restores the originally assessed standard of performance then it is regarded as repairs and maintenance.

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

Asset	Years
- Furniture and Fittings	6
- Computer Equipment	3
- Office Equipment	6
- Other Assets	5

Assets under R500 in value are expensed immediately against small assets in the Statement of Financial Performance.

The depreciation charge is based on the componentisation approach where appropriate. Items of property, plant and equipment are not componentised. The effect is that every component in the item of property, plant and equipment has the same assessment of useful life, and the effect of componentising of no effect.

The useful lives and residual values of items of property, plant and equipment are reviewed on an annual basis. If there are changes in expectations, the difference is accounted for as a change in accounting estimate on a prospective basis.

3 TRADE PAYABLES

Trade and other payables are stated at their present value.

4 PROVISIONS

Provisions are recognised for all legal and constructive obligation of uncertain timing or amount which result from past events, in respect of which it is probable that an outflow of economic resources will be required to settle the obligation, and which can be measured with sufficient reliability.

NKONKOBÉ ECONOMIC DEVELOPMENT AGENCY
Municipal Entity
ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2008

5 REVENUE RECOGNITION

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Agency has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

6 VALUE ADDED TAX

The Agency accounts for value added tax on the invoice basis.

7 UNUTILISED GRANTS AND RECEIPTS

Unutilised grants are reflected on the Statement of Financial Position as a deferred income. They represent unspent government grants and public sector donations. The cash received is invested until it is utilised.

8 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of Cash Flow Statement, cash and cash equivalents comprise of cash on hand and deposits held on call accounts with banks.

9 LEASED ASSETS

Where assets are acquired under finance lease agreements that transfers to the agency substantially all the risks and rewards of ownership, their cash cost equivalent is capitalised. The capital element of the leasing commitments is disclosed under long term loans. Capitalised leased assets are depreciated using the straight line basis at the rates stated above. Lease rentals are apportioned between capital and interest elements, using the digits method disclosed under long term loans. Capitalised leased assets are depreciated using the straight line basis at the rates stated above. Lease rentals are apportioned between capital and interest elements, using the sum of the digits method.

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Municipal Entity

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2008

	2008 R	2007 R
1 <u>Trade and Other Payables</u>		
Trade Payable	585,409	189,615
	<u>585,409</u>	<u>189,615</u>

	Total Received R	Recognised as Income R	2008 R
2 <u>Conditional Grants</u>			
Industrial Development Corporation	1,881,098	481,439	1,727,817
	<u>1,881,098</u>	<u>481,439</u>	<u>1,727,817</u>

	Total Received R	Recognised as Income R	2007 R
ESFORDSHIRE	91,648	91,648	-
Industrial Development Corporation		3,108	328,158
	<u>91,648</u>	<u>94,756</u>	<u>328,158</u>

3 Property, Plant and Equipment

	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Furniture, Fittings and Other Assets</u>	<u>Total</u>
Carrying Value - 30 June 2007	10,522	5,192	78,370	94,083
- At Cost	59,386	9,734	123,320	192,441
- Accumulated Depreciation	48,865	4,543	44,951	98,358
Additions		4,698		4,698
Depreciation	10,516	2,230	20,553	33,299
Carrying Value - 30 June 2008	6	7,660	57,816	65,482
- At Cost	59,386	14,432	123,320	197,139
- Accumulated Depreciation	59,380	6,773	65,504	131,657

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Municipal Entity

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2008

	2008 R	2007 R
4 <u>Bank Balances and Cash</u>		
Standard Bank - Operating Account	1,351,788	31,741
	<u>1,351,788</u>	<u>31,741</u>
5 <u>Trade and Other Receivables</u>		
Debtors	45,406	-
	<u>45,406</u>	<u>-</u>
	2008 R	2007 R
6 <u>Directors Emoluments</u>		
Chairman of the Board		
- Emoluments	-	-
Other Board Members		
- Emoluments	-	-
	<u>-</u>	<u>-</u>
	2008 R	2007 R
7 <u>Operating Surplus</u>		
Operating (Deficit) / Surplus	<u>(458,602)</u>	<u>(353,732)</u>
Operating Deficit) / Surplus is stated after:		
Expenditure		
Auditors Remuneration		
- Current Year	-	-
- Prior Years	-	-
Depreciation		
- Property, Plant and Equipment	33,299	42,296
Lease Rentals		
- Premises	-	-
- Equipment	-	-

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Municipal Entity

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2008

	2008 R	2007 R
8 <u>Employee Related Costs</u>		
Chief Executive Officer		
- Annual Remuneration including travel and other allowances	-	-
Financial and Administration Manager		
- Annual Remuneration including travel and other allowances	-	-
	<u>-</u>	<u>-</u>

9 Related Party Transactions

The Nkonkobe Municipality has issued grants of RNIL to the development agency during the current financial year (2007: R NIL).

The Industrial Development Corporation has issued grants of R1,881,098 to the development agency during the current financial year (2007: RNIL).

Refer to Note 2 for the related party transaction balances.

The grant income is recognised when approved expenditure per the budget is incurred.

10 Contingent Liabilities

There are no contingent liabilities as at the end of the financial year.

NKONKOB ECONOMIC DEVELOPMENT AGENCY
Municipal Entity

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
REVENUE		
Grants Received	481,439	94,756
Other Operating Revenue	-	11,534
Total Revenue	<u>481,439</u>	<u>106,290</u>
EXPENDITURE		
Accounting and Professional Fees	38,379	-
Advertising	2,166	26,359
Bank Charges	5,023	801
Catering	12,520	2,365
Computer expenses	(10,139)	-
Consulting	27,817	15,732
Depreciation	33,299	42,296
Entertainment	1,194	-
Fuel	390	4,216
General Expenses	42,721	35
Legal Fees	-	1,431
Magazines & Journals	294	-
Postage	-	100
NEDA Launch	-	21,923
Repairs & maintenance	2,956	3,356
Salaries	586,214	249,245
Staff Expenses	2,400	2,150
Stationery	10,176	364
Sundry Expenses- Petty Cash	924	
Telephone & Fax	88,971	78,769
Transport	1,600	5,100
Travel, Accommodation and Entertainment	50,135	5,781
Board Members - Stipend	43,000	-
Total Expenditure	<u>940,041</u>	<u>460,022</u>
Net Surplus / (Deficit)	<u>(458,602)</u>	<u>(353,732)</u>

MASAMBE

**TRUST
IT 383/2008**

**Municipal Entity
Annual Financial Statements**

2007/2008

MASAMBE
Year End 30 June 2008
Municipal Entity

RESPONSIBILITY STATEMENT

I am responsible for the preparation of these annual financial statements for the Nkonkobe Economic Development Agency, a municipal entity of Nkonkobe Municipality. These annual financial statements are set out on pages 1 to 12. In terms of section 93 of the Municipal Finance Management Act, I am the Accounting Officer for this entity and have signed on its behalf.



Mr R Mnqokoyi
Chief Executive Officer

28 August 2008

MASAMBE
Year End 30 June 2008
Municipal Entity

INDEX

	Page
Directors Report	1 to 2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 to 9
Notes to the Annual Financial Statements	10 to 12
Attached Schedules	
- Detailed Statement of Financial Performance	13

MASAMBE
Municipal Entity
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2008

The trustees present their report for the year ended 30 June 2008. This report forms part of the audited financial statements.

Principal activities of the company

The main objective of the agency is to revitalise the Nkonkobe region through facilitating development geared towards sparking optimism and confidence in the financial viability of all the sectors of Nkonkobe, thereby attracting commercial, retail, residential and other industries to the area, with a view to grow the area and position the area as a premier national and international destination for tourism.

Corporate governance statement

The trustees subscribe to the values of good corporate governance and recognise the need to conduct the trust with integrity and in accordance with generally accepted corporate practices.

Going concern

The entity's liabilities exceed its assets by R 42,079.

The financial statements have been prepared on the going concern basis, since the trustees have every reason to believe that the trust has adequate resources in place to continue operations for the foreseeable future and that it is also backed financially by the Nkonkobe Municipality.

Financial results

The trust's operating results and financial position are reflected in the attached annual financial statements.

Property, plant and equipment

No assets were purchased during the current financial year (2007: R Nil).

Events subsequent to year end

The trustees are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which significantly affect the financial position of the trust or the results of its operations.

Number of employees

The average number of employees during the period was 1 (2007: 0)

Trustees

The trustees during the financial year are as follows:

C K Borien	L A Johnston
G N Mfuko	N H Ntintili
L P Vela	

General information

Auditors	Office of the Auditor General
Banker	Standard Bank
Postal Address	PO Box 23, Alice, 5700
Physical Address	Alice Municipal Building

Contact Numbers	Telephone (040) 653 2935 ; Fax (040) 653 2938
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The annual financial statements of the MASAMBE have been approved by the trustees and signed by the Chairman of the Board.

P. P. G. N. Mfuko
Chairman of the Board

28 August 2008

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2008**

	Notes	2008 R	2007 R
NET ASSETS and LIABILITIES			
Net Assets			
Accumulated Deficit		(42,079)	50,598
Current Liabilities			
Trade and Other Payables	1	158,891	66,716
Conditional Grants	2	-	-
<u>TOTAL ASSETS and LIABILITIES</u>		<u>116,811</u>	<u>117,314</u>
ASSETS			
Non Current Assets			
Property, Plant and Equipment	3	-	-
Current Assets			
Bank Balances and Cash	4	98,536	99,039
Trade and Other Receivables	5	18,275	18,275
<u>TOTAL ASSETS</u>		<u>116,811</u>	<u>117,314</u>

MASAMBE
Municipal Entity

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 R	2007 R
REVENUE			
Grants Received	2	-	103,343
Total Revenue		-	103,343
EXPENDITURE			
Personnel		84,244	66,716
Other Operating Expenses		8,434	33,667
Total Expenditure		92,678	100,383
Deficit before Taxation	9	(92,678)	2,961
Taxation		-	-
Deficit for the Year		(92,678)	2,961

MASAMBE
Municipal Entity

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2008

	<u>Accumulated Surplus</u>	<u>Total</u>
Balance at 01 July 2005	-	-
Net Surplus for the Year	47,638	47,638
Balance at 30 June 2006	47,638	47,638
Net Surplus for the Year	2,961	2,961
Balance at 30 June 2007	50,598	50,598
Net Surplus for the Year	(92,678)	(92,678)
Balance at 30 June 2008	<u>(42,079)</u>	<u>(42,079)</u>

MASAMBE
Municipal Entity

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from Government and Other Receipts		-	108,288
Cash Paid to Suppliers and Employees		(503)	(33,667)
Cash Generated from Operations		(503)	75,621
Interest Received		-	-
Net Cash Flows from Operating Activities		(503)	75,621
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		-	-
Net Cash Flow Utilised in Investing Activities		-	-
CASH FLOW FINANCING ACTIVITIES			
Net Cash Flow from Financing Activities		-	-
Net (Decrease) / Increase in Cash and Cash Equivalents		(503)	75,621
Cash and Cash Equivalents at the Beginning of the Year		99,039	23,418
Cash and Cash Equivalents at the End of the Year	4	98,536	99,039

MASAMBE
Municipal Entity
ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2008

1 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements as follows: -

<u>Standards of GRAP</u>	<u>Replaced Statements of GAAP</u>
GRAP 1:- Presentation of financial statements	AC 101: - Presentation of financial statements
GRAP 2:- Cash flow statements	AC 118: - Cash flow statements
GRAP 3:- Accounting policies, changes in accounting estimates and errors	AC 103: - Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements: -

1.1) Terminology differences: -

<u>Standards of GRAP</u>	<u>Replaced Statements of GAAP</u>
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit for the period	Profit / loss for the period
Accumulated surplus / deficit	Retained earnings

1.2) The cash flow statement can only be prepared in accordance with the direct method.

1.3) Specific information such as: -

- a) receivables from non-exchange transactions, including taxes and transfers;
 - b) taxes and transfer payables;
 - c) trade and other payables from non-exchange transactions;
- must be presented separately on the statement of financial position.

1.4) The amount and nature of any restriction on cash balances is required to be disclosed.

MASAMBE
Municipal Entity
ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2008

Paragraph 11-15 of GRAP 1 has not been implemented as the budget report standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

2 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the original assessed standard of performance. If expenditure only restores the originally assessed standard of performance then it is regarded as repairs and maintenance.

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

Asset	Years
- Furniture and Fittings	6
- Computer Equipment	3
- Office Equipment	5
- Other Assets	5

Assets under R500 in value are expensed immediately against small assets in the Statement of Financial Performance.

The depreciation charge is based on the componentisation approach where appropriate. Items of property, plant and equipment are not componentised. The effect is that every component in the item of property, plant and equipment has the same assessment of useful life, and the effect of componentising of no effect.

The useful lives and residual values of times of property, plant and equipment are reviewed on an annual basis. If there are changes in expectations, the difference is accounted for as a change in accounting estimate on a prospective basis.

3 TRADE PAYABLES

Trade and other payables are stated at their present value.

4 PROVISIONS

Provisions are recognised for all legal and constructive obligation of uncertain timing or amount which result from past events, in respect of which it is probable that an outflow of economic resources will be required to settle the obligation, and which can be measured with sufficient reliability.

MASAMBE
Municipal Entity
ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2008

5 REVENUE RECOGNITION

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Agency has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

6 VALUE ADDED TAX

The Agency accounts for value added tax on the invoice basis.

7 UNUTILISED GRANTS AND RECEIPTS

Unutilised grants are reflected on the Statement of Financial Position as a deferred income. They represent unspent government grants and public sector donations. The cash received is invested until it is utilised.

8 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of Cash Flow Statement, cash and cash equivalents comprise of cash on hand and deposits held on call accounts with banks.

9 LEASED ASSETS

Where assets are acquired under finance lease agreements that transfers to the agency substantially all the risks and rewards of ownership, their cash cost equivalent is capitalised. The capital element of the leasing commitments is disclosed under long term loans. Capitalised leased assets are depreciated using the straight line basis at the rates stated above. Lease rentals are apportioned between capital and interest elements, using the digits method disclosed under long term loans. Capitalised leased assets are depreciated using the straight line basis at the rates stated above. Lease rentals are apportioned between capital and interest elements, using the sum of the digits method.

MASAMBE
Municipal Entity

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2008

	2008 R	2007 R
1 <u>Trade and Other Payables</u>		
Loan: Nkonkobe Mun	113,485	66,716
Loan: NEDA	45,406	-
	<u>158,891</u>	<u>66,716</u>

	Total Received R	Recognised as Income R	2008 R
2 <u>Conditional Grants</u>			
	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	Total Received R	Recognised as Income R	2007 R
Nkonkobe Municipality	103,343	103,343	-
	<u>103,343</u>	<u>103,343</u>	<u>-</u>

3 Property, Plant and Equipment

	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Furniture, Fittings and Other Assets</u>	<u>Total</u>
Carrying Value - 30 June 2007	-	-	-	-
- At Cost				-
- Accumulated Depreciation				-
Additions				-
Depreciation				-
Carrying Value - 30 June 2008	-	-	-	-
- At Cost	-	-	-	-
- Accumulated Depreciation	-	-	-	-

	2008 R	2007 R
4 <u>Bank Balances and Cash</u>		
Standard Bank - Operating Account	98,536	99,039
	<u>98,536</u>	<u>99,039</u>

MASAMBE
Municipal Entity

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2008

	2008 R	2007 R
5 <u>Trade and Other Receivables</u>		
Debtors	18,275	18,275
	<u>18,275</u>	<u>18,275</u>
	2008 R	2007 R
6 <u>Directors Emoluments</u>		
Chairman of the Board		
- Emoluments	-	-
Other Board Members		
- Emoluments	-	-
	<u>-</u>	<u>-</u>
	2008 R	2007 R
7 <u>Operating Surplus</u>		
Operating (Deficit) / Surplus	<u>(92,678)</u>	<u>2,961</u>
Operating Surplus is stated after:		
Expenditure		
Auditors Remuneration		
- Current Year	-	-
- Prior Years	-	-
Depreciation		
- Property, Plant and Equipment	-	-
Lease Rentals		
- Premises	-	-
- Equipment	-	-
	2008 R	2007 R
8 <u>Employee Related Costs</u>		
Chief Executive Officer		
- Annual Remuneration including travel and other allowances		-
Financial and Administration Manager		
- Annual Remuneration including travel and other allowances		-
	<u>-</u>	<u>-</u>

MASAMBE
Municipal Entity

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2008

9 Related Party Transactions

The Nkonkobe Municipality has issued grants of R NIL to the development agency during the current financial year (2007: R 103,343.45).

Refer to Note 2 for the related party transaction balances.

The grant income is recognised when approved expenditure per the budget is incurred.

10 Contingent Liabilities

There are no contingent liabilities as at the end of the financial year.

MASAMBE
Municipal Entity

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
REVENUE		
Grants Received	-	103,343
Total Revenue	-	103,343
EXPENDITURE		
Advertising & promotions	855	14,885
Bank Charges	503	1,782
Computer Expenses	330	-
Entertainment Expenses	363	-
PAYE	1,560	-
Printing & Stationery	3,159	-
Salaries	84,244	66,716
Telephone & Fax	1,304	-
Transport	-	17,000
Travel, Accommodation and Entertainment	120	-
UIF	240	-
Total Expenditure	92,678	100,383
Net (Deficit) / Surplus	(92,678)	2,961